

Message Text

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PAGE 01 NEW DE 03940 211336Z

ACTION NEA-10

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INFO AMEMBASSY DACCA

AMEMBASSY COLOMBO

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E.O. 11652 N/A

TAGS: ECON, IN

SUBJECT: ECONOMIC IMPLICATIONS OF A JANATA PARTY VICTORY

REF: NEW DELHI 2093, AND NEW DELHI 3944

1. SHOULD JANATA PARTY FORM A NEW GOVT BY ITSELF, IT IS UNLIKELY TO BRING ABOUT ANY IMMEDIATE DRASTIC CHANGES IN EITHER INDIAN ECONOMIC POLICIES OR DEVELOPMENT STRATEGIES. TO DO SO WOULD REQUIRE EXTENSIVE SOCIAL REFORMS. IF THE PARTY HOLDS TO ITS CAMPAIGN POSITIONS, HOWEVER, WE CAN EXPECT A CHANGE IN EMPHASIS WHICH OVER THE MEDIUM TERM COULD GRADUALLY CHANGE THE DIRECTION OF INDIA'S ECONOMIC DEVELOPMENT. BASED ON THE JANATA PARTY AND THE CONGRESS MANIFESTOES, WE LIST BELOW SOME OF THESE CHANGES AS WE SEE THEM.

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PAGE 02 NEW DE 03940 211336Z

2. JANATA WOULD PLACE MORE EMPHASIS ON AGRICULTURE AND RURAL RECONSTRUCTION, "WHICH MUST CONSTITUTE THE BASE OF OUR DEVELOPMENT AND PLANNING". THERE IS A CALL FOR INCREASED FUNDS TO THE AGRICULTURE SECTOR, HIGHER PRICES TO FARMERS, AGRARIAN REFORMS, AND EXEMPTION OF TAXES TO SMALL FARMERS. MANY OF THESE OBJECTIVES COINCIDE WITH THE CONGRESS', BUT THERE IS OBVIOUSLY GREATER

STRESS PLACED ON THEM IN THE JANATA MANIFESTO.

3. IN INDUSTRY, JANATA HAS ATTACKED THE GROWTH OF MONOPOLIES AND CALLS FOR GREATER DEVELOPMENT OF SMALL SCALE ENTERPRISES AND A SHIFT FROM CAPITAL INTENSIVE TO EMPLOYMENT-ORIENTED TECHNOLOGY. THE EMPHASIS PLACED ON SMALL SCALE INDUSTRY AND EMPLOYMENT GENERATION IS GREATER THAN THAT FOUND IN THE CONGRESS PROGRAM.

4. JANATA FAVORS A MORE EQUITABLE DISTRIBUTION OF INCOME, MAKING SPECIFIC PROPOSALS FOR REDUCED TAXES AND FAIR MINIMUM WAGE AND REDUCTION OF URBAN RURAL INCOME DIFFERENCES. CONGRESS PROGRAMS, WHILE BROADLY SIMILAR, ARE LESS SPECIFIC.

5. INFAMILY PLANNING, JANATA STRONGLY ATTACKS COERCIVE FORCE AND COMPULSION CONNECTED WITH THE RECENT STERILIZATION DRIVE. INSTEAD, IT CALLS FOR FAMILY PLANNING AS PART OF A LARGER POPULATION POLICY PACKAGE, USING METHODS OF PERSUASION AND EDUCATION RATHER THAN COERCION. WE WOULD ASSUME THAT, AT LEAST INITIALLY, FAMILY PLANNING WILL BE TREATED VERY GINGERLY.

6. JANATA CALLS FOR THE DECENTRALIZATION OF ECONOMIC POWER, ATTACKING THE PREVIOUS POLICY WHICH WAS SUPPOSED TO BENEFIT MONOPOLY CAPITAL AND ATTRACT MULTINATIONALS. HOWEVER, MORARJI DESAI (THE FORMER FINANCE MINISTER) AND HIS OLD CONGRESS MEMBERS OF JANATA IN THE PAST HAVE FAVORED LESS GOVT INTERFERENCE IN THE INDUSTRIAL SECTOR AND MORE SCOPE FOR PRIVATE SECTOR INVESTMENT.

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PAGE 03 NEW DE 03940 211336Z

7. THE JANATA PARTY HAS SAID LITTLE ABOUT INDIA'S EXTERNAL ECONOMIC RELATIONS. WE HAVE LITTLE TO JUDGE WHETHER A NEW GOVT'S PERCEPTION OF THEIR EXTERNAL ECONOMIC INTERESTS WOULD COINCIDE WITH THOSE OF THE PRESENT GOVT. SOME OF THE ELEMENTS IN THE JANATA HAVE, OVER THE YEARS, BEEN STRIDENTLY NATIONALISTIC AND THIS HAS SOMETIMES CARRIED WITH IT CRITICISM OF THE U.S. IN THE PAST, HOWEVER, MORARJI DESAI HAS STRONGLY SUPPORTED ECONOMIC COOPERATION WITH THE WEST.

8. SHOULD THE JANATA HAVE TO FORM A COALITION GOVT WITH THE CONGRESS FOR DEMOCRACY, THE PROSPECTS FOR ECONOMIC POLICY WOULD BE CONFUSED BY THE CFD'S LEFTIST ADVOCACY OF A STRONG INDUSTRIAL PUBLIC SECTOR AND SUSPICIOUS OF ECONOMIC COOPERATION WITH THE WEST
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